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ABSTRACT

This paper examines the effects of site-based budgeting in education. It describes and presents a school-based budgetary decision-making model that was designed originally to shift the balance of power from the central office to the building level. The model has been refined and successfully utilized in one school district for 20 years, and its use was credited with bringing control and decision-making closer to the child and classroom, thus making the individual schools within the district more responsive to the children's and the community's needs. The report offers suggestions for practitioners and policymakers who might be considering the reallocation of power and resources to the local schools. It explores the history of central-office budgetary control in the district and outlines how the reallocation of authority required the development of trust within the district. The reorganization also established decision-making parameters, allowed sufficient time for the school community to implement the plan, instituted an on-going staff-development program, provided technical support, and maintained accountability. The paper makes some suggestions for establishing a decentralization model, which include: plan carefully, expect resistance, be prepared to deal with negative staff members, establish clear lines of communication with administrators, and establish realistic expectations. (Contains 11 references.) (RJM)

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# BUILDING-BASED BUDGETING AND DECENTRALIZATION: A 20 YEAR PERSPECTIVE

Building-based or site-based budgeting was adopted by many districts during the past twenty years as a means of increasing school autonomy and sharing decision-making with teachers. In some places, it has been expanded to include parents, students, and community members. Indeed, the ideas of giving greater decision making authority to individual schools and dispersing resources directly to the schools have become two of the most widely adopted reform tools. Several states, most notably, Kentucky and Colorado, have mandated such practices that have been endorsed by numerous groups and professional organizations (Jones & Whitford, 1997). As early as 1986, the National Governors' Association called for school-site management (David, 1989).

The popularity of this concept first took hold because some educators believed that schools had become dominated by top-heavy, bureaucratic structures and had overlooked the experience and talents of teachers and principals (Cohen,1989). John Goodlad's *A Place Called School* (1984) asked for greater decentralization and shared governance at the local school level. The early school reformers saw site-based management as a vehicle for greater parent involvement and wider "ownership" of the schools by the community. They reasoned that the quality of the schools' work would increase and community participation with the schools would improve by involving the stakeholders in important decisions. These reformers believed that because teachers, principals, and parents were closer to classrooms and students, their decisions would be better tuned to the needs of students. They added that the school community would buy

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into the decisions, feel a sense of ownership, and more likely see that the locally determined approaches to solving building problems would be successful. Early on, these experiments in participatory management taught school districts that site-based management required commitment and patience (Wohlstetter & Odden, 1992). Dedicated educators in the schools needed time to learn new skills in building-level budgeting, consensus building, and long-range planning while central administration had to remain at arm's length in providing support and guidance to educators and community members alike. Historically, the central administration distributed resources to the schools; and, if there were a need for more resources, principals would simply have asked the superintendents for additional support. Under site-based budgeting, principals quickly learned the hard truth that the schools had to accomplish their missions in a world of finite resources, a world where the means to achieve well-intentioned ends were not limitless. Solving local problems and allocating rationally the buildings' resources became more difficult when the principals could not blame central office. Decentralization and site-based budgeting presented new demands to principals and staff alike (Goldman, Dunlap & Conley, 1993). It not only called on teachers to undertake a variety of tasks that they had not previously been responsible for but also made heavy demands on their time (Shields & Knapp, 1997).

Despite similar problems with adopting decentralization and site-based budgeting, many districts have adopted these reform initiatives during the past twenty years. Yet, the initial burst of enthusiasm, during which school districts experimented with numerous models of site-based budgeting and management, has given way to an intensive re-evaluation of the reform model's efficacy. Is decentralization a waning fad? Is there now a trend to return to a centralized governing structure? Has the road to site-based budgeting proved to be so rocky that districts are

abandoning it as a viable strategy for school improvement? Can administrators learn any lessons from districts that have successfully decentralized?

In light of the increased debate over decentralization as a reform tool in public schools today, the purpose of this paper is three-fold. The first section describes and presents a school-based budgetary decision making model that was designed originally to shift the balance of power from central office to the building level and has been refined and successfully utilized in one school district for twenty years. This highly effective practice was credited with bringing control and decision-making closer to the child and classroom, thus making the individual schools within the district more responsive to the children's and the community's needs. The second part offers suggestions for practitioners and policymakers who might be considering the reallocation of power and resources to the local schools. The final section examines possible questions for further research.

## THE BACKGROUND

The Oakwood City School District is a southern suburb immediately contiguous with Dayton, Ohio. It is an upper middle class, conservative "bedroom" community whose highly regarded school system serves approximately 1,850 students in four buildings.

Until 1979 Oakwood had a traditional top-down administrative model. All major decisions were made directly by the superintendent. Principals would often consult with the superintendent on daily concerns within the buildings. Historically, Oakwood's first superintendent (1922 - 1944) ruled the district with an iron fist, a tradition of strong central office leadership that had been continued. However, in 1979 Oakwood was in crisis. Two levies had failed, the first such defeats in its history, and many community members were pressuring the

Board of Education for new leadership. Teachers were unhappy. Principals were hesitant to act decisively and independently. Community members questioned the wisdom of some of the district's financial decisions. Consequently, the new superintendent faced the daunting task of addressing the needs of the community within a highly conservative, tradition-bound management structure. Although residents in the district hoped that a new face would have made a difference, it became obvious to the superintendent that the history of selecting "strong" almost autocratic chief administrators was running counter to the district's long term needs.

On his first day in the district, the new superintendent signed over 50 work orders. When asked why so many work orders, the staff simply responded that they did not want to lose the money before the end of the fiscal year. Virtually every decision had to approved by the superintendent through the existing budgeting process. Empowerment, ownership, individual accountability, and building-level budgeting were not part of the school district's culture. In addition, many of the traditional pressures for adopting decentralization and site-based budgeting within the district were lacking in 1979. There were no demands from powerful constituencies for more input into and control of the schools. The district did not have a massive bureaucracy and there was certainly no climate of crisis that the schools were no longer keeping pace with the demands of society or that the current educational structure was not working well for a majority of students.

The superintendent's challenge was to redesign the administrative structure in order to give principals, teachers, and staff members a greater feeling of ownership for decisions while simultaneously recognizing the entrenched management traditions of the district. Although the district was in crisis, there was no ground swell among the staff or within the community for

wholesale changes. In retrospect, this lack of urgency for sweeping changes was beneficial in designing and carrying out the school-based budgetary decision-making model because it enabled the superintendent to phase in the implementation of the model over a ten year period of time.

## SCHOOL-BASED BUDGETARY DECISION MAKING MODEL

Certain key principles or guidelines were established in the early years which served as guide posts for the district as it struggled to institutionalize a decentralized management style in a highly conservative community. The following principles were key elements of this model that have been sufficient to overcome the practical barriers of adopting such a management system.

### Developing Trust

Trust is the key ingredient to this budgetary decision making model . It took time to build trust within the district, a trust that grew as all parties developed collaborative behavior. Initially, the superintendent and members of the Board of Education played the crucial roles in building and maintaining trust within the district. If the superintendent was unwilling to delegate some of his authority and to trust the ability of other people in the district to make wise decisions, this process would never have worked. The Board had to embrace the rhetoric of decentralization, and it had to support the superintendent in the tough work of redistributing authority over the budgeting process and building leadership capacities for the new roles that decentralization implied (Wohlstetter & Odden, 1992). The efficacy of this shared decision- making model was directly tied to the high degree of trust within the district for the model and, more specifically,

for the superintendent. He held a strong belief that any organization became better when people worked together for a common purpose. This decentralization initiative was not about school reform, increased accountability, higher standards or power. Rather, it was about people and how they are treated and how they can be more connected to "their" school district. The superintendent truly valued the staff members' work and respected their viewpoint, even when he disagreed with their positions. The superintendent and the Board were willing to accept some mistakes and controversies during the transition period. He shared important decisions with others without abdicating his responsibilities to the community. Far from diminishing the power of the superintendency, decentralization enhanced the influence of the office and enabled the superintendent to begin many new initiatives, something not possible in the traditional centralized administrative structure.

**Establishing the Parameters**

The Oakwood Schools model established clear decision making parameters. The superintendent and the Board made it clear to the staff about the degree of authority that they were willing to delegate and what criteria they would use in reviewing decisions they delegated. The superintendent started with limited objectives and allowed significant time for staff to learn from the initial experience before he expanded their authority. Once the district administrators and staff were comfortable with redefined roles and increased responsibility, the superintendent introduced new wrinkles to the model.

**Taking Your Time**

The introduction of the new wrinkles required a vast commitment of time by the staff to study, plan, implement, and evaluate the changes to the model. That school-based budgeting and

decision-making are no easy processes is evidenced by the fact that it took ten years to accomplish in Oakwood. The superintendent and the Board favored an evolutionary approach that fostered trust and confidence among the staff. Shared decision-making and building-based budgeting must be "grown." While some might argue that this process is too cumbersome and slow, the Oakwood's experiences in site-based management and numerous research studies would suggest that it takes significant time to achieve tangible results (Shields & Knapp, 1997).

**Instituting an On-going Staff Development Program**

Extensive professional development was an integral part of Oakwood's successful decentralization initiative. Those who were involved needed training on the limits of their authority, consensus building, creating a budget, and long-range planning. Initially, the district utilized consultants to guide the principals and teachers through the training programs. However, in later years, many of the district's staff development efforts were organized and directed by its own personnel. The superintendent spent a considerable amount of his own time in developing the leadership and management capacities of the principals. In order to be successful in a site-based managed system, the principals needed to be strong instructional leaders, knowledgeable budget planners, and skillful facilitators. A school visitation program and generous college credit reimbursements were established to support the principals' retraining efforts (Odden & Wohlstetter, 1995).

**Providing Technical Support**

Decentralization and school-based budgeting generated new roles and responsibilities at both the building and central office levels. The superintendent restructured the central administration into a "service center," providing timely, appropriate support to the schools. He

expanded the treasurer/business manager's scope of responsibility to include serving as a liaison to the schools. In addition, he developed and articulated regulations affecting the resources allocated to the schools and the accompanying procedures; he allowed the carry-over of funds to promote efficiency; and he established a disaggregated data system so that the schools were viewed as separate entities. Central office personnel became technical advisors and mentors to the principals. The school business official, with her unique knowledge base, took on the roles of reviewer of expenditures and data, monitor of state compliance regulations, and consultant on budget development. Moreover, the superintendent and the other central office administrators frequently visited school sites creating the image that the schools were the district's focal point.

**Maintaining Accountability**

Oakwood's decentralization and site-based budgeting model succeeded because it was built on the belief that the community would hold the school leaders responsible for their actions. Accountability remains the cornerstone in this decentralization effort. The Board adopted policies authorizing the school-based management model and set overall goals for the district. The superintendent, with the assistance of the treasurer, reviewed all school plans and budgets annually. Through retreats, informal work sessions, and written reports, the superintendent kept the Board and the community informed of the decentralization process itself and the progress made by the individual schools during the academic year. Principals and their staffs were required to develop annual school plans with specific goals and to create balanced budgets to support the plan. Further, they were held accountable for achieving their building-level objectives and living within their yearly budgets (Williams, Harold, Robertson, & Southworth, 1997)

## SUGGESTIONS FOR ESTABLISHING A DECENTRALIZATION MODEL

Before a district commits itself to a decentralization and building-based budgeting plan, the stakeholders must first discuss certain fundamental questions. Lacking a consensus on these questions, school districts might not be ready to adopt such a management system. Decentralization has had a rocky road in some districts, that are cluttered with short-lived and controversial projects. While the road may often be paved with good intentions and high ideals, district personnel must quickly learn that school-based budgeting and decentralization are not quick "fixes" and that it takes considerable time and effort to introduce both of these management techniques. Thus, the district's response to the following questions is simply the first step down the road to decentralization.

Why has the district initiated the move toward decentralization and school-based budgeting?

Have the decision-makers clearly defined, in operational terms, what they mean by decentralization?

How much power and flexibility will the district give the principals in such matters as staffing, budget, and curriculum?

Which decisions will be made at the building level, which will be made at the district level, and which will be shared?

How will the district assess the decentralization process to determine if it is working well, or if it requires modification?

Does the district have the resources to conduct a comprehensive training program?

Are the principals and staff prepared for the additional work to implement decentralization?

Will decentralization improve the effectiveness and efficiency of the individual schools and

district?

What is the role of central administration under decentralization?

Districts considering a change must allow sufficient time to reflect on these questions, communicate with staff and the community, and determine whether decentralization is a viable approach for the district. If shared decision-making makes sense for a district, the superintendent and the Board must publicly support it and must be willing to accept the mistakes and controversies during the transition period. School leaders would be wise to consider the following suggestions in establishing a workable, decentralized management system:

**Plan carefully**

Probably the most important point to remember in considering a move to decentralization is to take the time to plan carefully. Administrators must identify the potential trouble spots which might derail the entire process in the early years. It is important to consider rites of passage as the district moves from one stage to another so people can recognize and accept the changes in the organization (James, 1995). The superintendent should prepare a realistic and not overly aggressive time line, but he/she must also be prepared to delay the implementation date if the district's personnel are not ready for the change. A Board and the community should not expect "instant" results. The board members should understand that this can be a five to ten year process.

**Expect resistance**

Resistance is inevitable. Resistance will come from the administrative bureaucracy which will see its power slipping from central office to the principals, from the teachers and staff who will object to the increased responsibilities and time commitment, from the principals who will

see the process as increased accountability with less authority, and from the community who will do end runs to the superintendent and the board if they do not like a decision made at the local level. Ongoing professional development for the staff in learning how to play the game with a different set of rules will diminish the opposition to the changes and increase the trust levels. "During transitions from a familiar to a new state of affairs, individuals must normally confront the loss of the old and commit themselves to the new, unlearn old beliefs and behaviors and learn new ones, and move from anxiousness and uncertainty to stabilization and coherence" ( Fullan & Miles, 1992, p. 748).

**Be Prepared to Deal With Negative Staff Members**

People are generally resistant to change, but there are always some people within an organization who become obstacles to the change process. They disagree with the planned new direction for the district and are determined to undermine the process. If the staff member holds a crucial position in the district, he/she can jeopardize the project in the early stage. The superintendent and Board must be prepared to take decisive actions, if necessary.

**Study and Research the Issue Thoroughly**

Although the use of outside consultants is crucial in the formative years, the superintendent and key support staff must know the literature and become experts on the decentralization issue. The superintendent must be well read with a clear vision of what decentralization will mean for the district. The movement toward site-based management and budgeting is often frustrating for many educators because they is no one recipe. Staff members will look to the superintendent for guidance, direction, and expertise during this confusing period of time.

**Review the Master Contracts Early in the Process**

It is important for the administrative staff to work closely with union leadership in the planning stage. Will union contracts need to be modified to accommodate decentralization and building-based budgeting? Lack of union support for this restructuring effort may well doom any such initiative in the early years. As the power shifts to individual buildings, the traditional arrangements with the union for dealing with district problems will need to be reassessed and possibly reconfigured.

**Establish Clear Lines of Communication With the District's Administrators**

The superintendent needs to work closely with the administrative staff during the difficult transition period to a decentralized system. Opening new lines of communication between principals and central office staff is crucial. The district should institute a professional development program which ensures that administrators are given the proper training to work within a decentralized structure (e.g. understanding the dynamics of shared decision-making and dealing with role changes). In the hectic pace of the school day, administrators rarely have the time to share their thoughts and ideas with fellow administrators. Shifting power to principals, refocusing the central office to a "support" center, and redefining power and relationships will take time and will not take place unless the lines of communication are open (Williams, Harold, Robertson & Southworth, 1997).

**Establish realistic expectations**

Many educators have overestimated what decentralization can accomplish and underestimated the amount of time that shared decision-making takes. Districts must establish a happy medium so that school personnel can do a good job in the classroom while also supporting

building-level initiatives. Physical and mental exhaustion will create a pull-back in the schools if the district establishes unbelievable expectations for the school-based management system (Wohlstetter & Odden, 1992).

**Communicate frequently with the Board**

A superintendent must update board members regularly on progress being made by the staff shifting to a decentralized management system. At the same time, the board must retain ownership of this program. In addition to formal presentations during regular meetings, the superintendent should send monthly written updates and discuss the topic at work sessions and board retreats.

It is important to note that actions identified in the first section of this paper will also influence the success of any decentralization effort. In particular, districts that set attainable goals with an appropriate time line for accomplishing them have the best chance of adopting such a management system. Districts must also target professional development; provide technical assistance for the schools; encourage open communication and collaborative engagement of staff members; and focus on accountability.

## QUESTIONS FOR FURTHER RESEARCH

Researchers and practitioners must give attention to the following questions as they assess the impact of decentralization and school-based budgeting on the operations of public school districts.

Will decentralization work in all kinds of districts? Are small suburban districts more likely to succeed than large urban centers?

What is the cost of implementation? What are the actual savings generated by the creation of building-level cost centers? Can central office support centers realistically compete with private firms in providing services to the schools?

How can researchers assess changes in authority relationships between the central office and schools?

Are the creation of new forms of compensation necessary to the effective implementation of decentralized forms of management? What would these compensation structures look like?

Does decentralization create an organizational culture that supports high-quality teaching and student learning? Will collaborative government provide teachers with the opportunity to redefine professional norms?

How much power must superintendents, district administrators, teacher union leaders, and boards of education "give up" in order for decentralized approaches to function effectively?

What strategies will most effectively prepare district administrators to function in their new roles within a decentralized district?

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